

RISKY BUSINESS —

A CLUB GUIDE TO RISK MANAGEMENT



Department of Sport and Recreation
Government of Western Australia



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What is Risk Management?

The Australian/New Zealand Standard for Risk Management (AS/NZS 4360) defines risk management as:

“The culture, processes and structures that are directed towards the effective management of potential opportunities and adverse effects.”

What is Risk?

The Australian/New Zealand Standard for Risk Management (AS/NZS 4360) defines risk as:

“The chance of something happening that will have an impact upon objectives. It is measured in terms of likelihood and consequences.”

RISK REDUCTION

The Australian/New Zealand Standard for Risk Management (AS/NZS 4360) defines risk reduction as:

“A selective application of appropriate techniques and management principles to reduce either likelihood of an occurrence or its consequence or both.”

RISK TRANSFER

The Australian/New Zealand Standard for Risk Management (AS/NZS 4360) defines risk transfer as:

“Shifting responsibility or burden for loss to another party through legislation, contract, insurance or other means.”

RISK ACCEPTANCE

The Australian/New Zealand Standard for Risk Management (AS/NZS 4360) defines risk acceptance as:

“An informed decision not to become involved in a risk situation.”

With Australian sport and recreation organisations facing the increasing risk of litigation many organisations are recognising the need to provide protection for their volunteers, members and participants.

Identifying potential risk and creating a risk management policy for your club, group or event can have a number of subsequent benefits. These can include:

- Good business and management practice
- Assistance with strategic planning
- Reducing unexpected and costly surprises; and
- More effective and efficient allocation of resources.



Why do we need to manage Risk?

- Helps you to clearly define insurance needs
- Compliance with regulatory requirements
- Assists in preparation for auditing
- Lessening risk may encourage more people to participate in your activity
- Better results from projects and programs
- Better information for decision making
- Balancing opportunity and risk.

When do we need to manage risks?

ALL THE TIME

Risk management is an ongoing process applied to all aspects of your operations. Any new project, event or competition should have a risk assessment completed.

Risk management is a five step process

The five steps are:

- 1 Establishing the context
- 2 Identify risk
- 3 Assess risks
- 4 Treat risks
- 5 Ongoing monitoring and review.

1 ESTABLISHING THE CONTEXT

- The scope of risk management within your organisation
- The aims and objectives of your own risk management program in relation to your organisation
- The Who, What, When, How and of course – with what resources?
- Determine criteria for treating risks
- Define the extent and comprehensiveness of the risk management activities
- Define the project or activity for which you are going to identify risks
- Define your risk assessment criteria table
- Define your risk acceptance criteria.

2 RISK IDENTIFICATION

Potential risks can be identified through various methods such as:

- Experience and records
- Brainstorming
- Systems analysis
- Personal reports
- Audit and other recommendations
- What can happen – list events that might happen
- How and why it can happen – list the possible causes and scenarios.

3 RISK ASSESSMENT

To assess the likelihood of potential risks:

- Likelihood – used as a description of probability and frequency
- Consequence – the outcome of an event or situation could be a loss, injury, disadvantage or gain
- Look at the adequacy of existing risk management strategies
- How likely is an identified risk to occur
- What are the consequences if it occurs
- Decide which risks are to be treated or accepted.

The Risk Management Strategy Grid and Risk Assessment and Acceptance Table on page 6, may help you to determine the likelihood, possible consequences and levels of potential risks.

4 RISK TREATMENT AND CONTROL

To treat and control potential risks:

- Reduce the likelihood
- Reduce the consequences
- Transfer the risk i.e. use of insurance
- Accept the risk
- Avoid the risk.

The Risk Management Template and Action Plan on page 7, may help you develop a risk management action plan for your organisation.

5 MONITORING AND REVIEW

Potential risks can be monitored and reviewed through:

- Risk reviews
- Claims performance reports

- Audits (internal and external) reporting
- Progress of the Risk Treatment Plan implementation.

WHAT AREAS NEED TO BE TREATED BY PROCESS?

Identify key function areas as:

STRATEGIC

Those risks associated with the high level goals, objectives, and strategies of the organisation and its divisions. These strategic risks are most relevant to associations or large clubs.

GOVERNANCE / OPERATIONAL

Those risks associated with the functions of the organisation performed on a daily basis. Finance, decision making, marketing and promotion and the administrative areas of your club or group.

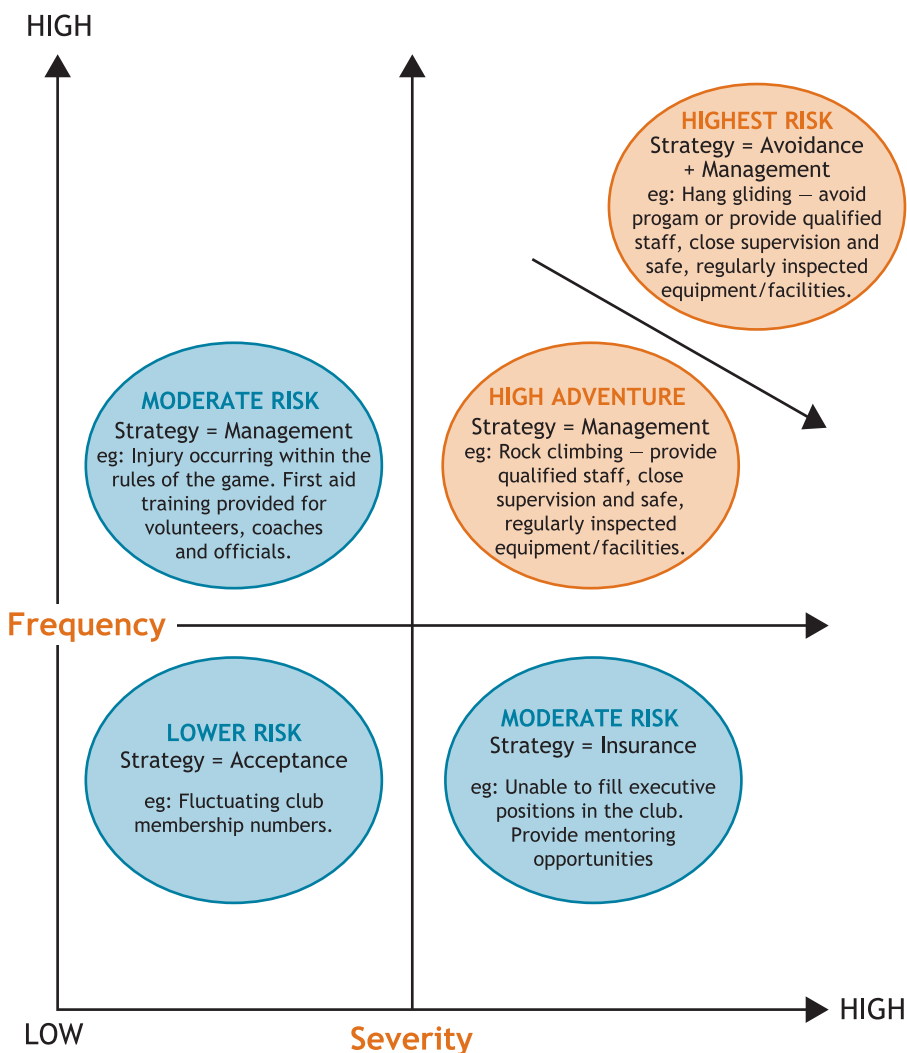
PROJECT / THE EVENT

The risks associated with a specific project event or competition including all phases of the event. Safety, public liability, property loss/damage, competition / competitor services.

In establishing the context of the risk review define the extent of the review, whether you want to limit it to certain aspects such as safety or public liability or conducting the review looking at the entire project, event or competition.



Risk Management Strategy Grid



Risk Management Template

| | |
|--|--|
| <p>PROJECT:</p> <p>Describe the activity /function /strategy. eg: Financial management processes for the Association</p> | |
| <p>THE RISK:</p> <p>What can happen? How it can happen? eg: Inadequate financial management processes and the Association becomes insolvent</p> | |
| <p>CONTROLS:</p> <p>What controls will be used in this activity?</p> <p><input type="checkbox"/> Excellent <input type="checkbox"/> Adequate <input type="checkbox"/> Inadequate</p> <p>eg: Monthly financial statements provided</p> | |
| <p>LIKELIHOOD:</p> <p>What is the likelihood of this event occurring? To rate, see Table D1 (over page) eg: Likely</p> | |
| <p>CONSEQUENCES:</p> <p>What would be the consequences if the event occurred? To rate, see Table D2 (over page) eg: High financial loss</p> | |
| <p>LEVEL OF RISK:</p> <p>What is the level of risk? To rate, see Table D3 eg: Significant risk. Senior management action needed</p> | |



Risk Assessment and Acceptance Table

LIKELIHOOD: What is the likelihood of potential risk occurring?

TABLE D1

| Descriptor | Description |
|-----------------------|---|
| <i>Rare</i> | The event may only occur in exceptional circumstances |
| <i>Unlikely</i> | The event could occur at some time |
| <i>Moderate</i> | The event will probably occur at some time |
| <i>Likely</i> | The event will probably occur in most circumstances |
| <i>Almost certain</i> | The event is expected to occur in most circumstances |

CONSEQUENCES: What is the outcome of an event or situation?

TABLE D2

| Descriptor | Description |
|----------------------|---|
| <i>Insignificant</i> | No injuries, low financial loss |
| <i>Minor</i> | First aid treatment, medium financial loss |
| <i>Moderate</i> | Medical treatment required, high financial loss |
| <i>Major</i> | Extensive injuries, major financial loss |
| <i>Catastrophic</i> | Death, huge financial loss |

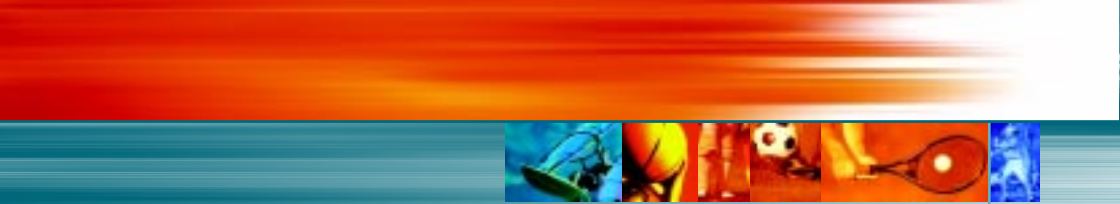
LEVEL OF RISKS

TABLE D3

| Likelihood | Consequences | | | | |
|-----------------------|----------------------|--------------|-----------------|--------------|---------------------|
| | <i>Insignificant</i> | <i>Minor</i> | <i>Moderate</i> | <i>Major</i> | <i>Catastrophic</i> |
| <i>Rare</i> | L | L | M | S | S |
| <i>Unlikely</i> | L | L | M | S | H |
| <i>Moderate</i> | L | M | S | H | H |
| <i>Likely</i> | M | S | S | H | H |
| <i>Almost certain</i> | M | S | H | H | H |

Legend

| | | |
|---|-------------------------|---|
| H | <i>High Risk</i> | Detailed research and management plan |
| S | <i>Significant Risk</i> | Senior management action needed |
| M | <i>Medium Risk</i> | Management responsibility must be specified |
| L | <i>Low Risk</i> | Manage by routine procedures |



Risk Management Action Plan

Actions

Tasks to reduce your club's risk

When?

Set some dates

Who will do these tasks?

Comments



This resource is part of the **Club Development Scheme**, which provides assistance to Western Australian sport and recreation clubs and organisations to become better managed, more sustainable and to provide good quality services to members and participants.

Other resources in the series include:

- Step by Step to Starting a New Club
- Planning for Your Club – The Future is in Your Hands
- Taking the Lead! A Guide for Club Presidents
- The Key to Efficiency – The Club Secretary
- Lighten the Load and Delegate – Help for the Overworked Committee Member
- Show Me the Money – A Guide for Club Treasurers
- Take the In Out of Ineffective – 10 Steps to Running Successful Meetings
- Effective Club Meetings
- You Have the Answers – Solving Club Problems
- Establishing Your Club Constitution and Becoming Incorporated
- Marketing and Promoting Your Club
- Seeking and Servicing a Sponsor

ACKNOWLEDGEMENTS

This Risk Management booklet was prepared with the assistance of the RiskCover Division of the Insurance Commission of Western Australia.

The information contained in this document is based upon best business practise.

Other resources and training workshops are also available for volunteers involved in the delivery of sport and recreation through the Active Australia Volunteer Management and Club/Association Management Program.


Topics include:

VOLUNTEER MANAGEMENT

- Recruiting Volunteers
- Retaining Volunteers
- Volunteer Management Policy
- The Volunteer Coordinator
- Managing Event Volunteers
- Volunteer Management:
A guide to good practice

CLUB/ASSOCIATION MANAGEMENT

- Creating a Club
- Club Planning
- Financial Management
- Committee Management
- Conducting Meetings
- Event Management
- Promoting Sport and Recreation
- Sponsorship, Grants and Fundraising
- Legal Issues and Risk Management



For further information regarding risk management please contact your State Sporting Association, peak body, Australian/New Zealand Sports Law Association (Executive Manager Tel: 03 9337 0402, Fax: 03 9337 0408 or refer to our website www.dsr.wa.gov.au)

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